

Softrock Minerals Ltd.
Financial Statements
December 31, 2010 and 2009

Softrock Minerals Ltd.

Financial Statements

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Independent Auditors' Report

To the Shareholders of Softrock Minerals Ltd.

We have audited the accompanying financial statements of Softrock Minerals Ltd., which comprise the balance sheet as at December 31, 2010 and 2009, and the statements of operations, comprehensive loss and deficit and cash flows for the for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Softrock Minerals Ltd. as at December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern.

**Calgary, Canada
April 28, 2011**

MacKay LLP
Chartered Accountants

Softrock Minerals Ltd.**Statements of Operations, Comprehensive Loss and Deficit**

For the year ended December 31,	2010	2009
Revenue		
Royalty income	\$ 28,847	\$ 36,141
Expenses		
Operating and transportation	7,657	6,995
Depreciation, depletion and accretion	12,976	1,550
Exploration	4,160	-
Professional fees (note 13)	39,836	49,114
General and administrative	42,342	34,618
Stock-based compensation (note 7(d))	27,370	-
Realized loss on sale of marketable securities	-	5,945
Write-down of mineral property interests (note 4)	1,875	-
	136,216	98,222
Net loss and comprehensive loss for the year	(107,369)	(62,081)
Deficit, beginning of year	(2,450,133)	(2,388,052)
Deficit, end of year	\$ (2,557,502)	\$ (2,450,133)
Loss per share		
Basic and diluted (note 7(c))	\$ (0.01)	\$ (0.01)

Softrock Minerals Ltd.**Balance Sheets**

December 31, **2010** **2009**

Assets**Current**

Cash and cash equivalents	\$	18,057	\$	125,626
Accounts receivable		8,214		8,802

26,271 134,428

Property, plant and equipment (note 3)		161,538		169,474
Mineral property interests (note 4)		-		1,875

\$ 187,809 \$ 305,777

Liabilities**Current**

Accounts payable and accrued liabilities (note 13)	\$	39,537	\$	78,506
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Asset retirement obligations (note 6)		10,297		9,297
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49,834 87,803

Shareholders' Equity

Share capital (note 7(b))		2,536,234		2,536,234
Contributed surplus (note 8)		159,243		131,873
Deficit		(2,557,502)		(2,450,133)

137,975 217,974

\$ 187,809 \$ 305,777

Nature of operations and going concern (note 1)
Commitments and contingencies (note 9)

On behalf of the Board:

(Signed) "Nick Taylor", Director

(Signed) "T. M. M. Bender", Director

Softrock Minerals Ltd.**Statements of Cash Flows**

For the year ended December 31,	2010	2009
Cash provided by (used for)		
Operating activities		
Net loss for the year	\$ (107,369)	\$ (62,081)
Items not affecting cash		
Depreciation and depletion	11,976	550
Accretion of asset retirement obligations	1,000	1,000
Realized loss on sale of marketable securities	-	5,945
Write-down of mineral property interests	1,875	-
Stock-based compensation	27,370	-
	(65,148)	(54,586)
Changes in non-cash working capital items		
Accounts receivable	588	1,758
Accounts payable and accrued liabilities	(38,969)	(31,414)
	(103,529)	(84,242)
Financing activities		
Issue of common shares for cash	-	129,000
Share issue costs	-	(14,050)
Accounts payable and accrued liabilities	-	12,400
	-	127,350
Investing activities		
Expenditures on property, plant and equipment	(13,943)	(5,035)
Proceeds from sale of property, plant and equipment	9,903	-
Proceeds from sale of marketable securities	-	51,555
	(4,040)	46,520
Increase (decrease) in cash	(107,569)	89,628
Cash and cash equivalents, beginning of year	125,626	35,998
Cash and cash equivalents, end of year	\$ 18,057	\$ 125,626
Supplemental cash flow information		
Interest received	\$ -	\$ -
Interest paid	-	-
Taxes paid	-	-
The Company had the following non-cash transactions:		
Cash calls paid transferred to property, plant and equipment	\$ -	\$ 7,073
Fair value assigned to broker warrants issued	-	8,274

1. Nature of operations and going concern

Softrock Minerals Ltd., (the "Company") is a public company incorporated under the Alberta Business Corporations Act with its shares traded on the TSX Venture Exchange. Softrock Minerals Ltd. carries on the business of oil and gas exploration and development in Western Canada and Quebec. It is in initial stages of acquiring mineral claims in Alberta for the exploration and development of potash and lithium.

These financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assumes that the Company will continue operations in the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The ability to continue as a going concern is assessed in note 12.

The Company has incurred recurring operating losses and had a working capital deficiency of \$13,266 at December 31, 2010 (working capital of \$55,922 at December 31, 2009). The Company's ability to continue as a going concern and to recover the recorded costs for property and equipment is dependent upon the Company's ability to raise sufficient capital either through debt or equity issues and/or enter into joint venture or farm-out arrangements in the next twelve months. Management believes there is opportunity for the Company to raise additional equity and/or enter into joint venture arrangements in 2011 and therefore continue as a going concern. However, there are no assurances that the Company will be successful in achieving these objectives. These financial statements do not give effect to any adjustments which could be necessary should the Company be unable to continue as a going concern and therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements. The business of oil and gas exploration and development involves a high degree of risk and there can be no assurance that current or future exploration programs will result in economically recoverable reserves.

2. Significant accounting policies

Basis of presentation

These financial statements are presented in accordance with generally accepted accounting principles ("GAAP") applicable in Canada and are expressed in Canadian dollars.

Cash and cash equivalents

Cash and cash equivalents include cash in bank accounts and short-term deposits that are redeemable at any time without penalty. Cash and cash equivalents are designated as held-for trading and are carried at fair value. Fair value as determined using Level 1 as described in note 11.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on loss per common share is recognized from the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. Diluted loss per common share has not been presented separately as this calculation proved to be anti-dilutive. Basic and diluted loss per common share is calculated using the weighted average number of shares outstanding during the period.

2. Significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The amounts recorded for depletion, depreciation and amortization of petroleum and natural gas assets as well as the provision for asset retirement obligations are based on estimates of reserves. The ceiling test is based on estimates of reserves, future production rates, oil and gas prices, and costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

Stock-based compensation

The Company accounts for stock options granted to directors, officers, employees and non-employees using the fair value method of accounting. Accordingly, the fair value of options at the date of the grant is determined using the Black-Scholes option pricing model and stock-based compensation is accrued and charged to operations, with an offsetting credit to contributed surplus, on a straight-line basis over the vesting periods. The fair value of stock options granted to non-employees is re-measured at the earlier of each financial reporting or vesting date, and any adjustment is charged or credited to operations upon re-measurement. If and when the stock options are exercised, the applicable amounts of contributed surplus are transferred to share capital. The Company has not incorporated an estimated forfeiture rate for stock options that will not vest; rather the Company accounts for actual forfeitures as they occur. The proceeds received by the Company on the exercise of options are credited to share capital.

Future income taxes

Future income taxes are recorded using the asset and liability method whereby future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period in which enactment or substantive enactment occurs. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

Asset retirement obligations

Asset retirement obligations ("ARO") are initially measured at estimated fair market value in the period incurred if a reasonable estimate of fair value can be made and subsequently adjusted for accretion of discount and any changes in the estimates of underlying cash flows. The ARO cost is capitalized as part of the cost of the related asset and the depletion of the asset retirement cost is determined on a basis consistent with the depletion of the related assets. With time, accretion will increase the carrying value of the obligation. Accretion is expensed. ARO is also adjusted to reflect period-to-period changes in the liability resulting from the passage of time and revisions to either timing or the amount of the original estimate of the undiscounted cash flow.

2. Significant accounting policies (continued)

Share capital

Common shares issued for non-monetary consideration are recorded at their fair market value based upon the trading price of the Company's shares on the TSX Venture Exchange. Commissions paid to underwriters, and other related share issue costs, such as legal, auditing, and printing, on the issue of the Company's shares are charged directly to share capital as share issue costs.

Valuation of equity units issued in private placements

The Company follows the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants.

Flow-through shares

The Company finances a portion of its exploration program through the issuance of flow-through shares. Under the terms of the flow-through share subscription agreements, and as provided for under the Income Tax Act, the tax attributes of qualifying exploration costs incurred by the Company are renounced to subscribers for the shares. In recognition of the foregone tax benefits to the Company, the amount for which the shares are issued is reduced by the tax effect of the tax deductions renounced to subscribers at the time the renunciation documents are filed with the tax authorities.

Impairment of long-lived assets

The Company periodically evaluates the recoverability of its long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized when estimated undiscounted net cash flows resulting from the use or its fair value, of an asset and its eventual disposition is less than its carrying amount.

Transportation

Costs paid by the Company for the transportation of crude oil, natural gas and natural gas liquids from the wellhead to the point of title transfer are recognized as an expense when the transportation is provided.

Joint ventures

Substantially all of the Company's activities are conducted jointly with others. These financial statements reflect the Company's proportionate interest in such activities.

Corporate assets

Corporate assets are stated at cost less accumulated depreciation. Depreciation is provided on a declining balance basis at a rate of 20%.

2. Significant accounting policies (continued)

Property, plant and equipment

The Company follows the full cost method of accounting for petroleum and natural gas operations. Under this method all costs of exploration for and development of petroleum and natural gas reserves are capitalized by cost centre. Costs include land acquisition costs, geological and geophysical expense, carrying charges on non-producing properties, costs of drilling both productive and non-productive drilling and production equipment and other direct overhead charges related to exploration activities.

The capitalized costs are depleted and depreciated using the unit-of-production method based on proven petroleum and natural gas reserves before royalties, as determined by independent reservoir engineers. Natural gas reserves and production are converted into equivalent units of oil based on the relative energy content.

The costs of acquiring and evaluating unproved properties are initially excluded from depletion calculations. These properties are assessed periodically to ascertain whether impairment has occurred. When proved reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to the costs subject to depletion.

The Company places a limit on the carrying value of petroleum and natural gas properties and equipment, which may be depleted against revenues of future periods (the "ceiling test"). The carrying value is assessed to be recoverable when the sum of undiscounted cash flows expected from the production of proved reserves, the lower of cost and market of unproved properties and the cost of major development projects exceeds the carrying value. When the carrying value is not assessed to be recoverable, an impairment loss is recognized to the extent that the carrying value of assets exceeds the sum of the discounted cash flows expected from the production of proved and probable reserves, the lower of cost and market of unproved properties and the cost of major development projects. The cash flows are estimated using expected future product prices and costs and are discounted using a risk-free rate.

Proceeds from the sale of oil and gas properties are normally applied as a reduction of the capitalized costs without recognition of a gain or loss, except where such a disposal would alter the depletion and depreciation rates by 20% or more.

Depreciation of capital assets not related to petroleum and natural gas properties is provided using declining balance basis at rates ranging from 10 to 30 percent.

Revenue recognition

Revenue associated with the sale of crude oil, natural gas and natural gas liquids owned by the Company is recognized when title passes from the Company to its customers and collectability is reasonably assured. Revenue associated with the Company's gross overriding royalty is recognized in the period earned and collectability is reasonably assured.

Investments

Investments comprised common shares of a publicly traded company. Investments in which the Company does not exercise significant influence are classified as financial assets held-for-trading. Financial assets held-for-trading are initially recorded at their fair value with changes in their fair value recognized in net income.

2. Significant accounting policies (continued)

Mineral properties and exploration expenditures

Acquisition costs for mineral properties, net of recoveries, are capitalized on a property-by-property basis. Acquisition costs include cash consideration, the value of common shares issued based on market prices, and the value of share purchase warrants issued based on amounts determined using the Black-Scholes option pricing model, for mineral properties pursuant to the terms of the agreement. Exploration expenditures and direct field costs, net of recoveries, are deferred until the property to which they directly relate is placed into production, sold or abandoned. Administration costs and other exploration costs that do not relate to any specific property are expensed as incurred. When there is little prospect of further work on a property being carried out by the Company or its partners, when a property is abandoned, or when the capitalized costs are no longer considered recoverable, the related property costs are written-down to management's estimate of their net recoverable amount. The costs related to a property from which there is production, together with the costs of production equipment, will be depleted and amortized using the unit-of-production method.

A mineral property acquired under an option agreement where payments are made at the sole discretion of the Company, is capitalized at the time of payment. Property interests granted to others under an option agreement where payments to be made to the Company are at the sole discretion of the optionee, are recorded as recoveries at the time of receipt.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry norms for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and may be affected by undetected defects.

The amounts shown for mineral properties represent acquisition costs incurred to date, less recoveries and write-downs, and are not intended to reflect present or future values. It is reasonably possible, based on existing knowledge, that changes in future conditions could require a material change in the recognized amount.

Financial instruments

The Company recognizes all financial instruments on the balance sheet initially at fair value. Measurement in subsequent periods depends on whether the financial instrument has been classified as "held-for-trading," "available-for-sale," "held-to-maturity" or "other financial liabilities" as defined by the standard.

i) Financial assets and financial liabilities held for trading

Financial assets and financial liabilities held for trading are acquired or incurred principally for the purpose of selling or repurchasing them in the near term. They are recognized at fair value based on market prices, with any resulting gains and losses reflected in net income for the period in which they arise.

2. Significant accounting policies (continued)

Financial instruments (continued)

ii) Held to maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. They are measured at amortized cost using the effective interest rate method less any impairment loss. A gain or loss is recognized in net income when the financial asset is derecognized or impaired, and through the amortization process.

iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale, or that are not classified as loans and receivables, held-to-maturity investments, or held-for-trading. They are measured at fair value. Fair value is determined based on market prices. Equity instruments that do not have a quoted market price in an active market are measured at cost. Gains and losses are recognized directly in other comprehensive income until the financial asset is derecognized, at which time the cumulative gain or loss previously recognized in accumulated other comprehensive income is recognized in net income for the period.

iv) Loans and receivables and other financial liabilities

Loans and receivables and other financial liabilities are measured at amortized cost, using the effective interest rate method less any impairment loss.

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. Unless otherwise noted the fair value of these financial instruments approximates their carrying values.

Cash and cash equivalents are classified as financial assets held for trading and accounted for at fair value. Any changes in the fair value at the end of the fiscal period are classified as unrealized gains or losses in the statement of operations.

Accounts receivable, accounts payable and accrued liabilities are classified as loans and receivables and other financial liabilities and are measured at amortized cost, using the effective interest rate method.

The classification of financial instruments occurred upon adoption of the standard, and is irrevocable.

Transaction costs associated with the Company's financial instruments are shown net of the related financial instrument and accreted using the effective interest rate method.

2. Significant accounting policies (continued)

Future Accounting Standards Not Yet Adopted

Business combinations

In January 2009, the CICA issued Section 1582, "Business Combinations". This section is effective January 1, 2011 and applies prospectively to business combinations for which the acquisition date is on or after the first annual reporting period beginning on or after January 1, 2011 for the Company. Early adoption is permitted. This section replaces Section 1581, "Business Combinations" and harmonizes the Canadian standards with IFRS.

Consolidated financial statements and non-controlling interests

In January 2009, the AcSB issued Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests", which together replace Section 1600, "Consolidated Financial Statements", and harmonize the Canadian standards with IFRS. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective for the first reporting period beginning on or after January 1, 2011. Early adoption is permitted.

International financial reporting standards ("IFRS")

The CICA Accounting Standards Board ("AcSB") has confirmed that the use of International Financial Reporting Standards ("IFRS") will be required for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011 for publicly accountable profit-oriented enterprises. Companies will be required to provide IFRS comparative information for the previous fiscal year.

The Company has commenced its IFRS conversion project in 2009. The Company's IFRS project consists of three phases – scoping, evaluation and design, and implementation and review. The Company has commenced the scoping phase of the project, which consists of project initiation and awareness, identification of high-level differences between Canadian GAAP and IFRS and project planning and resourcing. The Company has completed a high level scoping exercise and has prepared a preliminary comparison of financial statement areas that will be impacted by the conversion.

A detailed assessment of the impact of adopting IFRS on the Company's financial statements, accounting policies, information technology and data systems, internal controls over financial reporting, disclosure controls and procedures, and the various covenants and capital requirements and business activities has not been completed. The impact on such elements will depend on the particular circumstances prevailing at the adoption date and the IFRS accounting policy choices made by the Company. The Company has not completed its quantification of the effects of adopting IFRS. The financial performance and financial position as disclosed in our Canadian GAAP financial statements may be significantly different when presented in accordance with IFRS.

Softrock Minerals Ltd.**Notes to the Financial Statements**

Year ended December 31, 2010

3. Property, plant and equipment

			2010
	Cost	Accumulated depletion	Net book value
Petroleum and natural gas properties and facilities	\$ 1,169,785	\$ 1,008,247	\$ 161,538
Furniture, fixtures and office equipment	51,225	51,225	-
	\$ 1,221,010	\$ 1,059,472	\$ 161,538

			2009
	Cost	Accumulated depletion	Net book value
Petroleum and natural gas properties and facilities	\$ 1,165,646	\$ 996,172	\$ 169,474
Furniture, fixtures and office equipment	51,225	51,225	-
	\$ 1,216,871	\$ 1,047,397	\$ 169,474

During the year ended December 31, 2010, petroleum and natural gas properties included \$nil (2009 - \$169,474), net of any dispositions relating to unproved properties which have been excluded from the depletion calculation. Included in the depletion calculation are future development costs of \$nil (2009 - \$nil).

The Company's ceiling test calculation, performed at December 31, 2010, did not result in an impairment loss.

4. Mineral property interests

			2010
	Cost	Write-downs	Net book value
Mineral property interests	\$ 1,875	(1,875)	-

			2009
	Cost	Write-downs	Net book value
Mineral property interests	\$ 1,875	-	1,875

The Company had a 100% interest in three Alberta Government Metallic and Industrial Minerals Permits in Northern Alberta. The Permits, totaling 26,880 hectares, were taken for potash possibilities in 2009. In 2010 the Company's management decided not to pursue its interest in these permits and allowed the permit to lapse. Accordingly, the Company charged \$1,875 to operations at December 31, 2010.

Notes to the Financial Statements

Year ended December 31, 2010

5. Advances to joint venture partners

The Company records as advances to joint venture partners' amounts advanced on cash calls on approved AFEs to the operators of the joint ventures in which the Company has an interest, in excess of funds expensed on exploration activities. As cash calls are drawn down by the operator, the Company transfers the applicable amount to property, plant and equipment. In 2010, \$nil was transferred to property, plant and equipment (2009 - \$7,073).

6. Asset retirement obligations

The Company's asset retirement obligations result from working interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. As at December 31, 2010, the Company estimates the total undiscounted amount of cash flows required to settle its asset retirement to be approximately \$13,016. The amount has been discounted using a credit-adjusted risk-free interest rate of 5.44% and an inflation rate of 2% over the varying lives of the assets to calculate the present value of the asset retirement obligation.

A reconciliation of the ARO is provided below:

		2010		2009
Balance, beginning of year	\$	9,297	\$	8,297
Accretion expense		1,000		1,000
Balance, end of year	\$	10,297	\$	9,297

7. Share capital**(a) Authorized**

Unlimited number of:

Common shares without nominal or par value

First and second preferred shares issuable in series

(b) Common shares

		2010		2009	
	Number of shares	Amount	Number of shares	Amount	
Balance, beginning of year	20,934,446	\$ 2,536,234	18,429,446	\$ 2,429,558	
Issued:					
Private placements	-	-	2,505,000	129,000	
Share issue costs	-	-	-	(22,324)	
Balance, end of year	20,934,446	\$ 2,536,234	20,934,446	\$ 2,536,234	

Share capital transactions in 2010:

The Company had no share capital transactions in 2010.

Notes to the Financial Statements

Year ended December 31, 2010

7. Share capital (continued)**(b) Common shares (continued)****Share capital transactions in 2009:**

On December 17, 2009, the Company completed a private placement of 2,380,000 units at a price of \$0.05 per unit for gross proceeds of \$119,000. Each unit consists of one common share and one common share purchase warrant. The warrant allows the holder to acquire one additional common share at \$0.10 per share until December 17, 2011.

On December 17, 2009, the Company completed a private placement of 125,000 flow-through common shares at a price of \$0.08 per share for gross proceeds of \$10,000.

In connection with the private placements completed in 2009, the Company paid finders fees and other costs directly related to the issue of the shares of \$14,050 and issued 236,500 broker warrants. Each warrant is exercisable into one unit at \$0.05 per unit until December 17, 2011. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share at a price of \$0.10 per share until December 17, 2011. The fair value assigned to the broker warrants is \$8,274. The fair value was determined using the Black-Scholes option pricing model with the following assumptions: zero dividend yield; expected volatility of 175.69%; risk-free rate of 1.37% and expected life of two years. The fair value has been included in share issue costs with a corresponding credit to contributed surplus.

(c) Per share amounts

The following table summarizes the weighted average common shares used in calculating net income (loss) per common shares:

	2010	2009
Basic and diluted	20,934,446	18,532,391

Diluted weighted average common shares outstanding are equal to basic as dilutive instruments are not in the money.

(d) Stock options

Under the Company's stock option plan, the Company may grant options to employees, officers and directors up to 10% of its issued and outstanding common stock. In addition, the aggregate number of shares so reserved for issuance to any one person shall not exceed 5% of the issued and outstanding shares. Under the plan, options are exercisable upon issuance and an option's maximum term is five years.

		2010		2009
	Stock options	Weighted average exercise price (\$)	Stock options	Weighted average exercise price (\$)
Outstanding, beginning of year	1,200,000	0.10	1,200,000	0.10
Granted and fully vested	800,000	0.10	-	-
Cancelled	(200,000)	0.10	-	-
Outstanding, end of year	1,800,000	0.10	1,200,000	0.10

Notes to the Financial Statements

Year ended December 31, 2010

7. Share capital (continued)

(d) Stock options (continued)

The following table summarizes information about stock options outstanding and exercisable at December 31, 2010:

Number outstanding at December 31, 2010	Weighted average remaining contractual life (years)	Number exercisable at December 31, 2010	Exercise price (\$)
1,000,000	2.75	1,000,000	0.10
200,000	2.75	200,000	0.10
600,000	4.75	600,000	0.10
1,800,000	3.42	1,800,000	0.10

The Company accounts for its stock-based compensation plan using the fair value based method. Under this method, compensation costs of \$27,370 were recorded in the financial statements during the year ended December 31, 2010. The fair value of the options granted during the year was estimated on the date of the grant using the Black-Scholes option pricing model, recognizing forfeitures as they occur, with the following assumptions: zero dividend yield; weighted average expected volatility of 182%; weighted average risk-free rate of 1.30% and weighted average expected life of 4.5 years. There were no compensation costs in 2009 as the Company did not grant any stock options or modify any existing stock options outstanding.

Option pricing models require the input of highly subjective assumptions regarding the expected volatility. Changes in assumptions can materially affect the fair value estimate, and therefore, use of the Black-Scholes option pricing model, as required by Canadian generally accepted accounting principles, does not necessarily provide a reliable measure of the fair value of the Company's stock options at the date of the grant or thereafter.

(e) Broker warrants

A summary of the status of the broker warrants as of December 31, 2010, and changes during the year is presented as follows:

	2010		2009	
	Number of warrants	Weighted average exercise price (\$)	Number of warrants	Weighted average exercise price (\$)
Outstanding, beginning of year	236,500	0.05	-	-
Issued	-	-	236,500	0.05
Outstanding, end of year	236,500	0.05	236,500	0.05

Softrock Minerals Ltd.**Notes to the Financial Statements**

Year ended December 31, 2010

7. Share capital (continued)**(e) Broker warrants (continued)**

The following table summarizes information about broker warrants outstanding and exercisable at December 31, 2010:

<u>Date</u>	<u>Number of warrants</u>	<u>Exercise price (\$)</u>	<u>Expiry date</u>
December 17, 2009	236,500	0.05	December 17, 2011

(f) Common share purchase warrants

A summary of the status of the common share purchase warrants as of December 31, 2010, and changes during the year is presented as follows:

	2010		2009	
	Number of warrants	Weighted average exercise price (\$)	Number of warrants	Weighted average exercise price (\$)
Outstanding, beginning of year	4,380,000	0.10	2,000,000	0.10
Issued	-	-	2,380,000	0.10
Expired	(2,000,000)	0.10	-	-
Outstanding, end of year	2,380,000	0.10	4,380,000	0.10

The following table summarizes information about warrants outstanding and exercisable at December 31, 2010:

<u>Date</u>	<u>Number of warrants</u>	<u>Exercise price (\$)</u>	<u>Expiry date</u>
December 17, 2009	2,380,000	0.10	December 17, 2011

The Company accounts for warrants issued using the residual value based method. Under this method, fair value assigned to the warrants issued during 2010 is \$nil (2009 - \$8,274).

8. Contributed surplus

A summary of the status of contributed surplus as of December 31, 2010 and the changes during the year is presented below:

	2010		2009	
Balance, beginning of year	\$	131,873	\$	123,599
Stock-based compensation		27,370		-
Broker warrants		-		8,274
Balance, end of year	\$	159,243	\$	131,873

Notes to the Financial Statements

Year ended December 31, 2010

9. Commitments and contingencies**Environmental regulations**

The Company's activities are subject to various government laws and regulations relating to the protection of the environment. These environmental regulations are continually changing in Canada and generally are becoming more restrictive. The Company believes its operations comply in all material respects with all applicable laws and regulations.

10. Income taxes**(a) Future income tax recovery**

The provision for income tax reflects an effective income tax rate which differs from federal and provincial statutory income tax rates. The main difference is as follows:

	2010	2009
Loss before income taxes	\$ (107,370)	\$ (62,081)
Enacted income tax rate	28.0%	29.0%
Expected income tax (recovery)	(30,000)	(18,000)
Increase (decrease) in taxes resulting from:		
Stock-based compensation	8,000	-
Other	5,600	(3,500)
Impact of change in effective tax rate	2,400	3,500
Change in valuation allowance	14,000	18,000
Future income taxes (recovered)	\$ -	\$ -

(b) Components of the net future income tax asset (liability)

Temporary differences and carry forwards that give rise to future income tax assets as of December 31, 2010 and 2009 are as follows:

As at December 31,	2010	2009
Non-capital losses	\$ 110,000	\$ 90,000
Asset retirement obligation	2,000	2,000
Property, plant and equipment	326,000	326,000
Capital loss	2,000	6,000
Share issue costs	3,000	5,000
Total gross future tax assets	443,000	429,000
Valuation allowance	(443,000)	(429,000)
Net future income tax assets	\$ -	\$ -

Notes to the Financial Statements

Year ended December 31, 2010

10. Income taxes (continued)

The valuation allowance offsets the net future income tax assets for which there is no assurance of recovery. The valuation allowance is evaluated considering positive and negative evidence about whether the future income tax assets will be realized. At the time of evaluation, the allowance is either increased or reduced. Reduction could result in the complete elimination of the allowance, if positive evidence indicated that the value of the future income tax assets is no longer impaired and the allowance is no longer required.

(c) Tax pools

As at December 31, 2010, the Company has available for deduction against future taxable income, the following approximate amounts:

	2010	Rate
Operating loss carry forwards	\$ 438,000	100%
Share issue costs	10,000	20%
Canadian exploration expenditures	211,000	100%
Foreign exploration and development expenditures	1,153,000	10%
Capital loss	18,000	50%
Capital cost allowances	102,000	20-25%

The availability of deduction of the operating loss carry forwards against future taxable income expires as follows:

Year expire:	Amount
2015	\$ 7,000
2027	212,000
2028	80,000
2029	63,000
2030	76,000
	\$ 438,000

11. Financial instruments

The carrying amounts of financial instruments comprising cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate their fair values due to the immediate or short term nature of these financial instruments.

In accordance with the adopted amendments to CICA 3862, *Financial Instruments – Disclosures*, the Company's assets and liabilities recorded at fair value have been categorized based upon the following fair value hierarchy:

- Level 1 – quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted market prices included in Level 1 that are observable or the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 – unobservable inputs such as inputs for the asset or liability that are not based on observable market data.

11. Financial instruments (continued)

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The fair value of the financial instruments classified as held-for-trading (cash and cash equivalents) corresponds to a Level 1 classification.

The carrying value and fair value of financial assets and liabilities as at December 31, 2010 are summarized below:

Classification	Carrying value	Fair value
Held-for-trading (cash and cash equivalents)	\$ 18,057	\$ 18,057
Loans and receivables (accounts receivable)	8,214	8,214
Held-to-maturity	-	-
Available-for-sale	-	-
Other liabilities (accounts payable and accrued liabilities)	39,537	39,537

The Company is exposed to normal financial risks inherent within the oil and gas industry, including credit risk, interest rate risk and liquidity risk. The nature of the financial risks and the Company's strategy for managing these risks has not changed significantly from the prior year. The Company does not utilize derivative instruments to manage risks.

i) Credit risk

Credit risk is the risk a third party fails to meet its contractual obligations that could result in the Company incurring a loss. The Company's accounts receivable are primarily with joint venture partners and Canadian federal government. Receivables from joint venture partners arise from the Company's ownership of a gross overriding royalty on certain oil and gas interests. Receivables from Canadian federal government arise from input tax credits for Goods and Services taxes. As at December 31, 2010, there was no allowance for doubtful accounts for the joint venture receivables or Canadian federal government receivables as all mounts receivable were current.

ii) Interest rate risk

The Company is not exposed to interest rate risk because of fluctuating interest rates. Fluctuations in market rates do not have a significant impact on the Company's operations as the Company does not maintain any cash equivalents or debt subject to interest.

iii) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its liabilities. The Company has no liabilities, other than routine current accounts payable, incurred in the normal course of business.

In 2010, the Company used proceeds from private placements completed in December, 2009 to meet its working capital requirements in 2010. Management believes there is the opportunity for the Company to raise additional equity and/or enter into joint venture arrangements in 2011.

The outcome of these matters cannot be determined at this time.

12. Risk management and capital management

The Company is a junior oil and gas company and considers items included in shareholders' equity as capital. The Company has no debt and does not expect to enter into debt financing. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, purchase shares for cancellation pursuant to normal course issuer bids or make special distributions to shareholders. The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital.

The Company currently receives royalty income from a gross overriding royalty held. Revenues are not sufficient to meet ongoing obligations and meet future exploration commitments in respect of its property, plant and equipment. In order to fund future projects and pay for administrative costs, the Company is required to raise additional funds as needed in the equity markets and/or rely on advances from directors. As at December 31, 2010, the Company had a working capital deficiency of \$13,266 and shareholders' equity of \$137,975. Management has assessed that its working capital position and shareholders' equity are not sufficient for the Company to continue as a going concern beyond one year and the Company will need to raise equity funds in 2011 to continue as a going concern. The Company's ability to continue as a going concern on a long-term basis and realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation is primarily dependent upon its ability to develop, sell or option its property, plant and equipment and its ability to borrow or raise additional financing from equity markets. The outcome of these events is not determinable at this time.

13. Related party transactions

The Company has entered into transactions with related parties in the normal course of business, which were valued at the exchange amount established and agreed to by the related parties. During the year, the related party transactions were as follows:

The Company paid to its directors and officers, either directly, or indirectly, the following amounts:

	2010	2009
For accounting services	\$5,488	\$8,520

At December 31, 2010, \$1,500 (December 31, 2009, \$2,500) was included in accounts payable and accrued liabilities.